

Tax Working Group Public Submissions Information Release

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Taxation Review Submission

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Introduction;

The Taxation review in NZ should be across the board to consider the huge inequality between the average income of middle NZ and the very high cost of living in this country and widening. **So please do not look to increasing the tax take from Middle class working people in NZ.** This is where the largest tax take comes from now [PAYE] , to fund the Social system in our country. Surprisingly the GST does not contribute a huge amount to the system. You have many other avenues to collect from and I will note some of them below!

Recently I produced a paper for Grey Power 'Thirty years on from Rogernomics' and how we 'Baby Boomers' recovered to enable some of us to buy a home again and set ourselves up for retirement. This has just got very much harder as time has gone on, because the gap has widened between the low and average wage income and the cost of living.

On the Numbeo CPI index NZ rates as the 11th highest in the world for our cost of living [Two above Australia].

After 1986 when the 'Rogernomics' Labour policies devastated this country a vast number were made unemployed, so many went overseas to get jobs. Many are coming home now to retire and are faced with the Section 70 of the Social Security Act 1964, which tells many they are not eligible for the NZ pension unless they are back in the country at least 5 years prior to 65 years of age, that's if they are a NZ citizen. NZ does insist on making life difficult for our own people!

Yet we seem very happy to give the pension to foreigners who have never paid a dollar into our tax system!

How about the Working committee look at blocking the 'Family unification'?

This Law that enables old parents of foreigners living here to come in and receive the pension immediately, never having paid a dollar into our system.

That would achieve a few million a year to pay toward our infrastructure.

1.a. ***The review committee needs to look elsewhere to increasing more tax,*** but not to developing a lot more tax systems and making life more complex. NZ is tripping over ourselves with PC rules and regulations and compliance costs, the average Kiwi cannot handle anymore.

b. ***There needs to be a more effective way of measuring and controlling our inflation rate?*** We supposedly have a low inflation rate yet everything day to day we purchase seems to go up in price, food and fuel would be the worst offender.

c. ***Many of us Pensioners thought we had saved enough money to retire on,*** but a recent article stated in 'ten years we will have spent our money' and they are not wrong there with the cost of living in NZ, we cannot afford to live here!

d. For ***pensioners and low-income earners*** the Committee needs to seriously consider ***removing taxation from the bottom \$17,000 income.*** To allow this low-level income earners to survive in NZ high cost of living environment.

2. **I will note some avenues for the Committee to consider taking more tax from instead of middle NZ;**

a. ***Charitable Trusts;*** The two main ones that spring to mind are Maori Charitable Trusts and Sanatarium Charitable Trust. These entities pay no tax at all, this is obscene particularly on the business side of these Trust, where they make huge profits and pay no tax, this is so wrong. Its very easy for organisations like this who have been given large sums of money to turn a profit, but they should pay tax on that profit equal to what the rest of us pay.

The Committee needs to consider a way these entities pay tax.

b. ***Maori Authorities,*** only pay 17% tax rate this is also wrong, and it should be the same rate as the rest of NZ pays.

c. ***ACC is another big entity that the NZ people have paid into/funded*** and receive very little benefit from any more, many people are turned away on legitimate claims now.

This large entity has the largest investment portfolio in NZ.

Investment portfolio value \$36.6 million and ACC payments for accidents etc. is \$55 million, but Company investments are making millions

<https://www.acc.co.nz/assets/corporate-documents/acc7811-annual-report-2017.pdf>

It is saying here its behaviour is ethical, but many of us believe ACC is in the business of financial investing and has lost its way, neglecting their core business and not looking after kiwis who have had accidents etc.

Kiwis should not be paying such high ACC charges, if ACC has this sort of money to invest then the government should be taxing this company more!

Once again this is middle NZ that has funded this huge financial entity with few benefits. The only good thing you can say is that it has invested most of the money in NZ. Is all this ethical?

ACC Ethical Investment; [quote]

ACC works closely with the Guardians of New Zealand Superannuation, the Government Superannuation Fund Authority and the National Provident Fund on all aspects of ethical investment and is a signatory to the United Nations Principles for Responsible Investment (see www.unpri.org).

In addition to carrying out its own investment activities in an ethical manner, ACC avoids directly investing in entities that are engaged in activities that would be regarded as unethical by a substantial majority of the New Zealand public. ACC takes the laws of New Zealand to be a reflection of those principles that are widely held by the New Zealand public. Hence ACC seeks to avoid investing in entities that engage in activities that would be illegal if they occurred in New Zealand. ACC also avoids investing in companies involved in the production of tobacco, recognising that while tobacco is still legal in New Zealand, it is greatly discouraged by New Zealand public policy.

Note that in the table below [on website], the largest holding is now an unlisted investment, in Kiwi Group Holdings, the parent company of Kiwibank. ACC and the New Zealand Superannuation Fund jointly made an investment in Kiwi Group Holdings in October 2016 and contributed further capital to Kiwi Group Holdings in April 2017.

ACC views Kiwi Group Holdings as a long-term investment.

Aside from the investment in Kiwi Group Holdings, and ACC's equity investments in Wellington Gateway Partnership (which is building the Transmission Gully expressway north of Wellington) and NX2 (which is building the Puhoi to Warkworth motorway), all of ACC's top-50 equity investments are held in companies or trusts that are listed on public stock exchanges, which provides us with current market values of these investments.

The only individual credit exposures representing more than 1% of the reserves portfolio (ie \$366 million) are to the New Zealand Government, the Local Government Funding Agency, four banking groups with strong

credit ratings and New Zealand banking licences, the Auckland Council and a AAA-rated development bank guaranteed by the German government. None of ACC's direct property investments represents more than 0.5% of the reserves portfolio. ACC's largest property investment is a Wiri property leased to The Warehouse for its North Island distribution centre. This property is valued at \$160 million

D. It's Time to Get Tough with Tax Dodging Transnationals

This is another group the Working Committee needs to seriously look at getting tax from!

This Is Not Just About One Bad Apple!

For several years now, the New Zealand media have drawn attention to the scandalously low amount of tax paid in this country by some of the biggest transnational corporations (TNCs) in the world, particularly the digital economy giants such as Apple, Google, Facebook and Amazon.

Tax dodging on a truly epic scale is common across all transnational corporations around the world, including in this country.

The previous National government was loath to do anything about it.

In its final few months in power, it did introduce some tweaks around the edges but shied away from a diverted profits tax, which has been implemented in both Australia and Britain to penalise transnationals caught manipulating the tax system.

For instance, in 2016, it was reported that Facebook had paid \$43,000 in tax the previous financial year - about the same as "a mid-range doctor or lawyer", as the media pointed out.

Tax dodging by transnationals is not confined to New Zealand.

Basically, it has all been put in the too hard basket.

This promptly led to some major countries deciding to take unilateral action. India has already imposed a 6% "equalisation tax" on digital advertising sold by Google and Facebook.

The European Commission (EC) announced it will impose a 3% tax on the revenues of transnationals such as Google, Facebook, Amazon, Twitter, Uber and Airbnb.

The EC announced that this 3% tax is an interim step, pending a longer-term measure.

So, what is this country [NZ] doing about it???

E. Regional Councils and its huge waste of money, restructure required.

Working committee needs to suggest restructure here, would save millions.

Something National was going to do, but never achieved, just a big Corporation that wastes massive amounts of NZ people's money, because it employs so many people they have to be continually dreaming up more compliance systems and costs for the people to justify their existence.

Tauranga RC alone has three very large buildings here full of people that we middle NZ pay for.

Working Committee need to target this money wasting Entity!

F. Immigrants. Why is our Tax Dept not policing more of these people with their cash businesses? Many of these people only deal in cash and certainly do not furnish a full set of accounts to pay their full dues of tax.

This is another very large avenue, for tax that is not being collected.

Conclusion;

The above entity's I have mentioned if they were taxed in the way they should be, this would afford the country a huge amount of money to help correct the situation of paying for such necessities as Health and Education, which are badly underfunded. When NZ has massive waste elsewhere!

I do not believe we should go down the track of Capital gains tax, wealth tax and other such taxes, another stream of setting up and costs.

We already have a partial Capital gains tax in NZ anyway, if a person sells too many properties, NZ can tax people on the profit made on these sales.

The other argument here is if kiwis were allowed a reasonable living wage they wouldn't be so quick to be looking for other avenues like selling property for capital gain.

The Average Kiwi is not given a decent wage to be able to afford to pay off a house before retirement, so they must look for other income streams other than leaving the country to work elsewhere for better money.

Immigrants, NZ needs to cut the immigration numbers coming here, they are totally overloading our infrastructure and some how do not seem to be helping pay for the update of our infrastructure.

NZ does have options other than more additional complex tax systems!